



Memorandum

TO: HEALTHY NEIGHBORHOODS
LEADERSHIP COMMITTEE

FROM: Albert Balagso

SUBJECT: CARDROOMS' CHARITABLE
CONTRIBUTIONS WORK PLAN

DATE: June 11, 2009

Approved

Date

RECOMMENDATION

Approve the work plan (Attachment A) for the distribution of the cardrooms' charitable contributions (CCC) resulting from the recent cardroom settlement agreement.

BACKGROUND

The settlement agreement between the City of San Jose and two (2) local cardrooms provides for the payment of \$500,000 each for three years, 2009-10 through 2011-12, to non-profit organizations identified through the Healthy Neighborhoods Leadership Committee (HNLC), that address any community needs seen to be a result of legalized gaming in the community. The settlement agreement states that payments are to be made by the cardrooms directly to non-profit organizations. After 2011-12, the amount of the required contribution decreases according to a pre-defined formula. Minimally, beginning in 2012-13, the cardrooms will each be required to contribute \$125,000 per year.

On March 24, 2009, the City Council further directed the Department of Parks, Recreation and Neighborhood Services (PRNS) to develop and bring to the Healthy Neighborhoods Leadership Committee (HNLC) for approval a framework for administering the charitable contributions that includes the following:

- An allocation and distribution plan that is consistent with both the settlement and the Healthy Neighborhoods Strategic Work Plan approved by the City Council in October 2008;
- Scenarios for reimbursing costs associated with administration of the funds, exploring both City or non-City options; and
- An outreach process to the non-profit community that ensures our non-profit partners are aware of the availability of these resources

ANALYSIS

This analysis offers recommendations and alternatives for each of the three components of the City Council's direction to PRNS: allocation plan, administration and outreach process.

The settlement agreement states that 100% of the CCC must be distributed directly to non-profit organizations. Based on a discussion with the Office of the City Attorney, this aspect of the settlement agreement is intended to maximize the benefits to the recipients of the services and to maximize the tax deductibility of the contributions. Funds are intended to pass directly from the cardroom establishments to non-profit agencies.

Given that the City cannot receive reimbursement for expenses related to developing and maintaining the administrative framework for this program, the recommended options below suggest that the majority of the work related to the administrative framework be performed by non-profit organizations. As a matter of due diligence on behalf of the City, PRNS staff, without reimbursement, would continuously provide a level of oversight to the program and to the non-profit organizations to ensure compliance with the settlement agreement. However, as proposed, a non-profit organization would have primary responsibility for execution and administration of the program.

Allocation Plan

Recommendation: Using the Healthy Neighborhoods Strategic Work Plan (SWP), approved by the City Council in October 2008, as a foundation, the HNMF staff would guide the development of the initial Allocation Plan of the CCC. The SWP broadly defines "healthy neighborhoods" in the City of San Jose, and the Allocation Plan would specify the areas of the SWP (i.e., populations and services) that would be targeted by the CCC funds.

HNMF staff would conduct research and engage key stakeholders (e.g., target clientele, service providers, etc.) to identify and prioritize strategies that are most effective in treating problem gambling. This effort would result in the Allocation Plan, and CCC funds would subsequently be distributed in accordance with this plan.

If this aspect of the plan is adopted, the HNMF staff could have the Allocation Plan prepared for consideration by the HNLC in October 2009 (Attachment A).

Alternative to Recommendation:

Alternative(s)	Advantage(s)	Disadvantage(s)
<ul style="list-style-type: none">Request that cardrooms approve a contract with a non-profit agency to develop the Allocation Plan	Minimizes uncompensated workload for the City	Compensation to non-profit agency represents an additional administrative expense that would be paid from funds for direct services. Allocation Plan might not align as tightly to City's SWP.

Administration

Recommendation: Contract with a non-profit agency to perform the following:

- Contract with service providers to address the priorities of the Allocation Plan
- Maintain and update the Allocation Plan based on community indicators and service providers' performance reports
- Manage and monitor service providers according to each contract's scope of services and performance standards

The settlement agreement specifies that contributions are to be made by the cardrooms directly to non-profit organizations, thereby maximizing the benefits to the recipients of the services and maximizing the tax deductibility of the contributions. Once the Allocation Plan has been approved, a non-profit agency could become the third-party administrator (TPA) charged with administering the CCC program in accordance with the settlement agreement and the Allocation Plan. The City's agreement with the TPA would be without compensation; the TPA would receive compensation through the CCC funds. The TPA would also develop and execute contracts with service providers, and would work with the cardrooms to coordinate payments.

The TPA would be selected by HNMF staff through an informal competitive process. A formal process would not be required because City funds would not be expended.

If this aspect of the plan is adopted, the TPA selection process would begin immediately upon adoption, and the initial CCC funding allocations would be targeted for January 2010 (Attachment A).

Alternatives to Recommendation:

Alternative(s)	Advantage(s)	Disadvantage(s)
<ul style="list-style-type: none"> City (instead of TPA) administers the CCC program 	City maintains maximum control over program and quality	Uncompensated workload for the City Additional workload will impact the administration of HNVF
<ul style="list-style-type: none"> Service providers contract with cardrooms directly (instead of TPA) 	Minimizes transfers of funds between source (cardrooms) and destination (service provider)	Creates administrative expenses for cardrooms

Outreach

Recommendation: As in the development of the HNVF Allocation Plan, staff would ensure ample outreach and stakeholder input during the development and adoption of the CCC Allocation Plan, using community meetings and focus groups. After the Allocation Plan is adopted, the City would work with the TPA to ensure that the community is fully informed when the selection process for service providers begins by using public announcements, targeted marketing and existing communication channels. The TPA would be required to ensure appropriate stakeholder involvement in the process of making final provider selections. In addition, the TPA would be required to provide public program reports through the HNLC meetings.

Alternatives to Recommendation:

Alternative(s)	Advantage(s)	Disadvantage(s)
<ul style="list-style-type: none"> City facilitates initial and ongoing outreach 	City maintains maximum control over outreach and quality	Ongoing outreach would be an uncompensated workload for the City
<ul style="list-style-type: none"> TPA facilitates initial and ongoing outreach 	Minimized uncompensated workload for the City	Allocation Plan development would be delayed until a TPA is selected Compensation to TPA represents an additional administrative expense

SUMMARY

The cardrooms' charitable contributions program is a unique opportunity to provide new services in San Jose related to problem gambling. The workplan in Attachment A recommends that City staff take the lead in developing the program's Allocation Plan and then work with a third-party administrator to execute and manage the funds according to the Allocation Plan. Regular reporting would occur through the Healthy Neighborhoods Leadership Committee meetings.

COORDINATION

This memorandum has been coordinated with the Office of the City Attorney.

A handwritten signature in black ink, appearing to read "Albert Balagso", with a stylized flourish at the end.

ALBERT BALAGSO, Director
Parks, Recreation and Neighborhood Services

For questions please contact JAY CASTELLANO, Deputy Director, at (408) 535-3571.

Cardrooms' Charitable Contributions Work Plan

DRAFT

<u>Allocation Plan</u>		<u>Administration</u>		<u>Outreach</u>	
Milestone	Date	Milestone	Date	Milestone	Date
Conduct research and engage stakeholders in assessing community needs for problem gambling services and identifying effective intervention programs and services	Aug. 2009	Identify third-party administrator (TPA) July 2009 Develop TPA duties, responsibilities and scope of services	Aug. 2009	Engage stakeholders in assessing community needs for problem gambling services and identifying effective intervention programs and services	Jul.-Aug. 2009
Develop Allocation Plan	Sept. 2009	Execute TPA agreement	Sept. 2009	Engage stakeholders in finalizing Allocation Plan	Aug.-Sept. 2009
Request Healthy Neighborhoods Leadership Committee approval of the Allocation Plan	Oct. 2009	Conduct funding process	Oct.-Dec. 2009	Through TPA, notify target providers of upcoming funding opportunity	Sept.-Nov. 2009
		Allocate initial funding	Jan. 2010		